

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201535020**

Release Date: 8/28/2015

Date: **June 2, 2015**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

M= City, State

X= Scholarship Program

Y= School

x dollars = Amount

y dollars = Amount

z dollars = Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your purpose is to support education by augmenting and enhancing school activities, providing tutoring support for school children, and providing college scholarships to universities.

You will operate a scholarship program called X. The purpose of the X is to provide scholarships to high school graduates from Y, a public high school which is a Title I school, located in M. Graduates of Y who attend college are eligible to receive the scholarship, except for immediate family members of your employees, officers or directors, or family members of your substantial contributors.

Scholarships will be awarded based on financial need. Applications are evaluated and ranked by a selection committee consisting of your president, your executive director, and the principals of the elementary, middle and high schools of Y. The selection committee uses the financial information provided to the school in the Free and Reduced Price School Meals Household Application in their selection process.

Scholarship recipients will receive x dollars per year, with y dollars payable upon enrollment at college each semester, provided that the graduate maintains a grade point average of at least 2.5 at the college. A cumulative maximum of z dollars may be awarded to an individual graduate of Y under this program. Scholarships are only available to graduates of Y in the four years following their high school graduation.

An applicant for the scholarship must authorize the college they are attending to communicate directly with you to verify the scholarship recipient's attendance and grade point average. Scholarship recipients are required to direct their college to report their grade point average to you each semester. You will pay funds directly to the college and will investigate if a misuse of funds occurs.

You will retain all records submitted by the grantees and their educational institutions, including information used to evaluate the qualifications of potential grantees, identification of the grantees including any relationship of any grantee to you and whether the grantee is a disqualified person, the amount and purpose of each grant, and all reports and other follow up data obtained in administering your grant program.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations